



## **Higher Education Funding: An Overview**

**Presentation to the  
Government Restructuring Task Force  
June 22, 2010**

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### **The Department's Statutory Charge:**

- "Be concerned with the adequate financing of these institutions and with the equitable distribution of available funds among them;"  
NMSA 1978, § 21-1-26
- "Develop a funding formula that will provide funding for each [public] institution of higher education to accomplish its mission as determined by a statewide plan."  
NMSA 1978, § 21-2-5.1

## State General Fund Appropriations for Education for FY 2010-11:

	(millions)
Public Schools (incl. PED)	\$2,418.0
Higher Education:	
Formula I&G	\$566.0
UNM Health Sciences Center	91.1
Department of Agriculture (at NMSU)	10.7
NMHED, including State Financial Aid	40.4
Research, Public Service & Other Prgms	<u>79.8</u>
Total Higher Education	\$788.0
Grand Total Education (P-20)	\$3,206.0

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## Budgeted Expenditures for FY 2009-10:

\$ millions

Sector	Total Unrestricted Current Funds	Total Restricted Current Funds	Total Plant Funds	GRAND TOTAL
4-Year Institutions	2,094.0	607.5	422.5	3,124.0
2-Year Institutions	367.1	137.1	134.5	638.7
Special Schools	53.5	2.1	27.5	83.1
GRAND TOTAL	2,514.6	746.7	584.5	3,845.8

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### Budgeted Expenditures for FY 2009-10:

\$ millions

Budget Category	UNM	%	SFCC	%
I&G	292.0	32.8%	27.3	34.8%
Research	26.0	2.9%	0.0	0.0%
Public Service	40.7	4.6%	6.7	8.5%
Financial Aid	46.6	5.2%	0.3	0.4%
Auxiliaries	56.2	6.3%	2.1	2.7%
Other	40.2	4.5%	0.0	0.0%
Total Operating Funds	501.7	56.4%	36.4	46.4%
Grants and Contracts	139.9	15.7%	11.8	15.0%
Plant Funds	248.0	27.9%	30.3	38.6%
<b>GRAND TOTAL</b>	<b>889.6</b>	<b>100.0%</b>	<b>78.5</b>	<b>100.0%</b>

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### Budgeted I&G Expenditures for FY 2009-10:

\$ millions

I&G Budget Category (unrestr.)	UNM	%	SFCC	%
Tuition & Fees	104.5	31.2%	4.5	16.9%
State Appropriations	189.8	56.7%	8.6	32.3%
Local Appropriations	0.0	0.0%	13.4	50.4%
Land & Perm Fund/Endowm	11.4	3.4%	0.0	0.0%
Other Sources	29.0	8.7%	0.1	0.4%
<b>Total Revenues</b>	<b>334.7</b>	<b>100.0%</b>	<b>26.6</b>	<b>100.0%</b>
Instruction	158.1	54.1%	13.3	48.7%
General	133.9	45.9%	14.0	51.3%
<b>Total Expenditures</b>	<b>292.0</b>	<b>100.0%</b>	<b>27.3</b>	<b>100.0%</b>

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## **Current Higher Education Funding Formula:**

- Establishes State General Fund level for annual Instruction & General\* budget for public universities (7) and community colleges (17)
- Was redesigned (simplified) thru collaborative process effective FY 2003-04

\*Instruction & General consists of:

- o Instruction (educational departments, faculty, support staff, supplies)
- o Academic Support (library, deans' offices, faculty senate, labs)
- o Student Services (admissions, registrar, financial aid, advising)
- o Institutional Support (administration, business office, human resources)
- o Operation and Maintenance of Plant (buildings, grounds, utilities)

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## **Funding Formula Summary:**

Prior Year's Instruction & General Appropriation  
+/- Instruction and Instructional Support (if "out-of-band")  
+/- Student Services (if "out-of-band")  
+/- Physical Plant Operation and Maintenance/Utilities  
+/- Land and Permanent Fund Revenue Credit  
+/- Mil Levy Revenue Credit  
+/- Tuition Revenue Credit  
+/- 3% Scholarship Adjustment  
+/- Building Renewal and Replacement Adjustment  
+/- Equipment Renewal and Replacement Adjustment  
+ Inflationary Adjustments, including compensation/ERB  
+ Other "regular" Adjustments (e.g. dual credit tuition reimb.)  
- Budget balancing reductions (e.g. 0.544% sanding FY11)

= Recommended General Fund Appropriation for  
Instruction & General for New Fiscal Year

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## FY 2010-11 Funding Formula Cost Factors:

Instruction/Instructional Support:  
(per student credit hour in each tier and level)

	Lower Freshman/Sophomore	Upper Junior/Senior	Graduate
Tier 1	\$133.34	\$293.44	\$635.09
Tier 2	\$199.20	\$459.40	\$873.81
Tier 3	\$321.16	\$527.84	\$1,396.77

Student Services: \$389.84 per student (Fall headcount)

Physical Plant: \$4.29 per I&G square foot

Utilities: from \$0.74 to \$2.43 per I&G square foot

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## Example of Funding for FY11 for Teacher Preparation Courses:

Number of Students in Program in FY 2008-09 = 500

Assume that all student credit hours (SCHs) are in Tier 1

Total number of SCHs at Lower Level = 4,800

Total number of SCHs at Upper Level = 4,600

Total number of SCHs at Graduate Level = 1,700

Formula Calculation:

4,800 SCHs (lower) x \$133.34 =	\$ 640,032
4,600 SCHs (upper) x \$293.44 =	1,349,824
1,700 SCHs (graduate) x \$635.09 =	<u>1,079,653</u>
Total	<u>\$3,069,509</u>

This calculated amount is intended to fund Instruction and Instructional Support (Academic and Institutional Support) and thus, the budget for the Teacher Preparation Program will be different.

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## Dual Credit Tuition Reimbursement via Funding Formula for FY11:

Example: Central New Mexico Community College's tuition revenue credit calculation (deducts dollars from I&G appropriation)

FY09 dual credit enrollment = 8,713 student credit hours

I&G adjustment:

<u>Including</u> dual credit enrollment	(\$1,226,849)
<u>Excluding</u> dual credit enrollment	____(869,616)
Difference = increase in I&G appropriation	<u>\$357,234</u>
\$357,234 : 8,713 SCHs = \$41.00 per SCH	
= CNM's tuition rate for resident (in-district) students for FY10	

Note: There is a two-year lag between the academic year (FY08-09) when dual credit students took classes and the year for which tuition reimbursement occurred thru the funding formula (FY10-11), since the Legislature appropriated the formula money in the 2010 session.

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## Funding Formula Timeline:

- **July – August**  
Enrollment band, student services, 3% scholarship, tuition revenue credit, dual credit, physical plant/utilities
- **September – October**  
Land & Permanent Fund and mil levy revenue credit, I&G equipment, salary base, inflationary factors
- **November 1**  
Summary and Detail of BASE I&G formula calculations
- **After Legislative Session**  
Summary and Detail of FINAL I&G formula calculations

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### **Process for Funding Formula Changes:**

- When changes to the higher education funding formula are deemed necessary, the Higher Education Funding Task Force (HEFTF) makes recommendations for changes in the formula to the Secretary of Higher Education
- The HEFTF is comprised of representatives from institutions of higher education, Governor's Office, DFA, LFC, LESC and NMHED
- The Secretary includes formula changes in the annual funding recommendation for higher education to DFA and LFC due November 1
- Those formula changes approved and enacted during the legislative process are reflected in the final I&G General Fund appropriation for each institution and in the NMHED I&G schedules

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### **Funding Formula Policy Issues that may reflect Savings to the State:**

- Should the funding formula reward degree production (e.g. master, baccalaureate, associate, certificate)?
- Should the State continue to fund excess credit hours (e.g. remedial courses or credit hours exceeding a certain limit)?
- What percentage of higher education costs should students bear? How much should tuition and fees be?
- Should funding for dual credit programs be reviewed for cost savings?

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### **Funding Formula Policy Issues that may reflect Savings to the State (cont.):**

- Should the formula be revised to address mission differentiation for possible cost savings?
- Would an evaluation of all higher education facilities, including satellite sites, lead to cost savings?
- Should research space used for instruction and leased space be eligible for formula funding?

Note: technical issues are also being discussed by the HEFTF

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### **Higher Education Incentive and Matching Funds to address Statewide Objectives:**

- Program Development and Enhancement Fund
- Higher Education Performance Fund
- Higher Education Endowment Fund
- Workforce Skills Development Fund (never funded)
- Technology Enhancement Fund (never funded)

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## FY 2011-12 Scenario for I&G General Fund Appropriations: We must work together

- 16% student enrollment increase FY08 to FY12
- 10% funding decrease from FY08 to FY12
- Projected FY12 full formula funding increase of \$40M
- Anticipated FY12 General Fund decrease of \$35M
- Resulting in net FY12 funding decrease of \$70M

**Notes:**

- o Detail of the above NMHED calculated scenario on page 18
- o Record enrollment increases reported throughout USA
- o General Fund decrease due to reduced recurring revenues, replacement of ARRA funds, lack of one-time budget "fixes", competing needs (unemployment, Medicaid, retirement etc.), and other reasons

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### General Fund Appropriations for I&G:

(\$ 000)	FY08 Final	FY09 Original	FY09 Reduced	FY10 Original	FY10 Reduced	FY11 Original	FY12 Scenario	FY09-FY12 Adjust's
Base funding		\$657,980.1	\$684,883.6	\$667,756.8	\$666,213.2	\$642,087.4	\$628,782.6	
Regular adjustments (incl inflation)		8,407.6		11,053.9		21,243.9	40,000.0	80,705.4
Misc adjustments (mostly HSC)		2,915.5		200.0		3,657.9	0.0	6,773.4
Compensation (incl ERB)		19,862.6		5,096.6		0.0	0.0	24,959.2
Tuition credit		(4,282.2)		(6,697.0)		(14,179.3)	0.0	(25,158.5)
Solvency reductions		0.0	(17,126.8)	(11,197.1)	(24,125.8)	(24,027.3)	(75,000.0)	(151,477.0)
Subtotal		684,883.6	667,756.8	666,213.2	642,087.4	628,782.6	593,782.6	(64,197.5)
ARRA SFSF- Education grants					15,538.4	10,937.5	0.0	26,475.9
<b>TOTAL</b>	<b>\$657,980.1</b>	<b>\$684,883.6</b>	<b>\$667,756.8</b>	<b>\$666,213.2</b>	<b>\$657,625.8</b>	<b>\$639,720.1</b>	<b>\$593,782.6</b>	<b>(\$37,721.6)</b>
Percent Change each Stage		4.1%	-2.5%	-0.2%	-1.3%	-2.7%	-7.2%	
<b>Percent Change from FY08</b>		4.1%	1.5%	1.3%	-0.1%	-2.8%	-9.8%	
<b>Formula Student Credit Hours (000)</b>	2,485.3	2,456.3		2,515.4		2,641.8	2,877.9	
Percent Change each Year		-1.2%		2.4%		5.0%	8.9%	
<b>Percent Change from FY08</b>		-1.2%		1.2%		6.3%	15.8%	

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For more information on the Higher Education Funding Formula, or  
funding in general, contact:

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For complete details of the most recent fiscal year, see  
"FY11 Summary and Detail of Base I+G Formula Calculations – Final  
11/17/09" (103 pages)  
on NMHED's website

**(Please note that the information in this document is subject to change.)**